

# **TDI CONCEPTS FOR INPUT**

## **Changes to the Texas Statistical Plan for Residential Risks**

### **BACKGROUND**

The Texas Department of Insurance is seeking public input on a concept for changes in the Texas Statistical Plan for Residential Risks. TDI's Texas Statistical Plan for Residential Risks does not have a separate reporting code for wind-only policies written by the voluntary market. Before the Texas Windstorm Insurance Association (TWIA) created its voluntary insurance portal and before the enactment of SB 900, 84th Legislature, Regular Session (2015), TWIA was the only insurer that issued wind-only policies. TWIA reported its policies under the statistical plan using the line of business code for the companion ex-wind policy. As a result, TDI could identify wind-only policies and match them with the companion policy's line of business to calculate statistics on a "full coverage" basis.

With the creation of TWIA's voluntary insurance portal, voluntary insurers have begun to write wind-only policies. Under the statistical plan's current reporting requirements, insurers report wind-only policies as dwelling extended coverage. Without separate coding, TDI is unable to identify voluntary wind-only policies and to calculate statistics, such as average homeowner premium, on a full-coverage basis.

In addition, with the enactment of SB 900, voluntary insurers will be able to take policies out of TWIA through assumption reinsurance. This will occur midterm for these policies. TDI believes the statistical plan should provide instructions for when each entity (TWIA and the voluntary take-out insurer) is responsible for reporting statistical plan data to the Texas Insurance Checking Office (TICO) for assumed policies.

Finally, TDI is considering adding instructions for reporting codes that TICO made available since TDI last revised the statistical plan. TICO made these codes available to provide for the reporting of new policy and deductible options offered by insurers that did not have existing statistical codes. TDI is also considering the addition of statistical codes for the split Public Protection Classifications (PPC) recently introduced by ISO.

### **PUBLIC COMMENT**

TDI seeks public comment on concepts related to

- reporting responsibilities for TWIA, and voluntary insurers that take policies from TWIA, under assumption reinsurance;
- new statistical codes for wind-only policies; and
- additional reporting codes made available by TICO since TDI last revised the statistical plan.

### **REPORTING UNDER ASSUMPTION REINSURANCE**

TDI proposes to change its Texas Statistical Plan for Residential Risks to require entities to report premium and loss transactions on residential risks that are taken out of TWIA through assumption reinsurance (AR). This requirement would only apply to AR policies where the policyholder **does not** opt out before June 1 of the applicable year.

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- TWIA would be responsible for reporting data to TICO for all premium and loss transactions with transaction dates before June 1, the date the voluntary take-out insurer assumes the policy.
- The voluntary take-out insurer would be responsible for reporting data to TICO for all premium and loss transactions on the policy with transaction dates on or after June 1, the date the voluntary take-out insurer assumes the policy.

### **NEW STATISTICAL CODES FOR WIND-ONLY POLICIES**

Along with the reporting requirements outlined above, TDI would add the following new line of business codes for reporting wind-only policies for TWIA, insurers taking residential risks out of TWIA through the voluntary program, and insurers taking residential risks out of TWIA through the AR program:

- **13 - Dwelling Policies - TWIA Wind-Only.** This code would apply to all policies issued by TWIA, including policies originally issued by TWIA but later assumed by a voluntary take-out insurer through assumption reinsurance as authorized under Texas Insurance Code §2210.702.
- **14 - Dwelling Policies - Voluntary Wind-Only (AR).** This code would apply to the renewal of an assumption reinsurance policy that the voluntary take-out insurer is required to renew under Texas Insurance Code §2210.703(a).
- **15 - Dwelling Policies - Voluntary Wind-Only (Other).** This code would apply to all other wind-only policies issued by voluntary insurers, including:
  - (1) wind-only policies for risks formerly insured by TWIA that the voluntary take-out insurer acquired through the voluntary take-out program as described in Texas Administrative Code §5.4306;
  - (2) the fourth and subsequent renewal of wind-only policies originally acquired from TWIA through assumption reinsurance; and
  - (3) all other wind-only policies written in the voluntary market.

TDI would also add the following new record types for premium transactions to address situations where a policy is transferred midterm from TWIA to a voluntary take-out insurer through assumption reinsurance.

- **07 - Policy Cancellation Due to Assumption Reinsurance (TWIA Only).** Only TWIA would be required to report this code. TWIA would report this code on policies transferred midterm to a voluntary take-out insurer under assumption reinsurance. The effective date of this transaction is the date all liabilities for the policy transfer to the voluntary take-out insurer *under an assumption reinsurance agreement*. TWIA would be required to report as

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“return premium” the amount of unearned premium transferred to the voluntary take-out insurer.

- **08 - Assumption of TWIA Wind-Only Policy.** Only voluntary take-out insurers that assume a TWIA policy midterm under an assumption reinsurance agreement would report this code. The effective date of this transaction is the date all liabilities for the policy transfer to the assuming voluntary take-out insurer *under an assumption reinsurance agreement*. Voluntary take-out insurers would be required to report the amount of unearned premium on the policy transferred from TWIA. The effective date and the premium amount would have to match the corresponding effective dates and return premium reported by TWIA.

#### **FORMAL ADOPTION OF TICO STATISTICAL CODE CHANGES**

[Attachement A](#) provides the statistical codes TDI is considering adding to the Texas Statistical Plan for Residential Risks.